

Message Text

UNCLASSIFIED

PAGE 01 BONN 19416 01 OF 03 161740Z

42

ACTION EUR-12

INFO OCT-01 EA-09 ISO-00 AID-05 CIAE-00 COME-00 EB-07

FRB-01 INR-07 NSAE-00 USIA-15 XMB-04 OPIC-06 SP-02

CIEP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-04

CEA-01 L-03 H-02 PA-02 PRS-01 AGRE-00 (ISO) W

----- 123672

R 161727Z NOV 76

FM AMEMBASSY BONN

TO SECSTATE WASHDC 3338

DEPARTMENT TREASURY

INFO AMEMBASSY BERN

AMEMBASSY BRUSSELS

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY TOKYO

USMISSION EC BRUSSELS

USMISSION OECD PARIS

AMCONSUL FRANKFURT

UNCLAS SECTION 01 OF 03 BONN 19416

DEPARTMENT PASS FEDERAL RESERVE

E.O. 11652: N/A

TAGS: EFIN, GW

SUBJECT: FINANCIAL DEVELOPMENTS (WEEK ENDING NOVEMBER
15)

REF.: BONN 18981

1. FOREIGN EXCHANGE MARKET:

GERMAN FOREIGN EXCHANGE MARKETS WERE CALM, AND THE
DOLLAR FLUCTUATED ONLY IN NARROW MARGINS AGAINST THE
DEUTSCHEMARK. DURING THE PERIOD UNDER REVIEW FRANKFURT
SPOT AND FORWARD DOLLAR RATES DEVELOPED AS FOLLOWS:

UNCLASSIFIED

UNCLASSIFIED

PAGE 02 BONN 19416 01 OF 03 161740Z

FORWARD DOLLARS

SPOT DOLLARS (IN PCT. PER ANNUM)

OPENING FIXING CLOSING ONE-MONTH THREE-MOS

| | | | | | |
|--------|--------|--------|--------|------|------|
| NOV. 8 | 2.4210 | 2.4147 | 2.4140 | -1.6 | -1.1 |
| 9 | 2.4130 | 2.4183 | 2.4175 | -1.0 | -1.1 |
| 10 | 2.4215 | 2.4192 | 2.4150 | -0.8 | -0.9 |
| 11 | 2.4130 | 2.4141 | 2.4150 | -1.2 | -1.1 |
| 12 | 2.4150 | 2.4149 | 2.4140 | -1.2 | -1.1 |
| 15 | 2.4170 | 2.4199 | 2.4200 | -1.2 | -1.2 |
| 16 | 2.4190 | 2.4200 | N.A. | N.A. | N.A. |

2. SALE OF FEDERAL NOTES:

ON NOVEMBER 11 THE BUNDESBANK, ACTING AS AGENT OF THE FEDERAL GOVERNMENT, SOLD BY WAY OF TENDER DM 1.6 BILLION OF 2-YEAR FEDERAL NOTES. THE SALE WAS MADE ON A DISCOUNT BASIS, BUT THE 5.60 PERCENT MAXIMUM DISCOUNT ESTABLISHED BY THE BUNDESBANK WAS UNDERBID. ACTUAL SALES WERE MADE AT 5.45 PERCENT (EFFECTIVE YIELD 5.94 PERCENT). THE SALE WAS LIMITED TO RESIDENTS, AND RE-SALES OF NOTES TO FOREIGNERS WOULD REQUIRE LICENSING BY THE BUNDESBANK. (SALES OF DOMESTIC BONDS WITH REMAINING MATURITIES OF UP TO 4 YEARS TO FOREIGNERS STILL REQUIRE BUNDESBANK APPROVAL.) THE SALE WAS THE FIRST SALE BY TENDER FOR FEDERAL NOTES WITH SHORTER MATURITIES. SO FAR ONLY MEDIUM-TERM FEDERAL NOTES (KASSEN-OBLIGATIONEN, CARRYING MAINLY 3 AND 4 YEAR MATURITIES) WERE SOLD BY TENDER.

3. MONEY MARKET:

THE GERMAN CALL MONEY MARKET TIGHTENED WITH THE CALL RATE RETURNING TO ABOUT THE LEVEL OF THE 3 1/2 PERCENT REDISCOUNT RATE. THE TIGHTENING APPEARS TO BE ATTRIBUTABLE TO THE ABOVE-MENTIONED SALE OF FEDERAL NOTES, FURTHER SALES OF PUBLIC BONDS BY THE BUNDESBANK AND, PROBABLY, FURTHER BUNDESBANK INTERVENTIONS WITHIN THE SNAKE IN SUPPORT OF THE DM. THE EASING OF THE CALL MONEY MARKET, HOWEVER, ONLY TEMPORARILY AFFECTED RATES FOR ONE-MONTH AND THREE-MONTH MONEY. DURING THE REPORTING WEEK FRANKFURT INTER-BANK MONEY RATES DEVELOPED

UNCLASSIFIED

UNCLASSIFIED

PAGE 03 BONN 19416 01 OF 03 161740Z

AS FOLLOWS:

CALL MONEY ONE-MONTH THREE-MONTH

| | | | |
|--------|---------|------|------|
| NOV. 8 | 2.9-3.2 | 3.70 | 4.50 |
| 9 | 3.5-3.7 | 3.80 | 4.60 |
| 10 | 3.7-3.9 | 3.90 | 4.60 |
| 11 | 3.5-3.7 | 3.90 | 4.60 |

| | | | |
|----|---------|------|------|
| 12 | 3.2-3.5 | 3.75 | 4.50 |
| 15 | 3.5-3.7 | 3.80 | 4.50 |

4. BUNDESBANK FOREIGN POSITION:

IN THE PERIOD NOVEMBER 1-7 THE BUNDESBANK'S NET FOREIGN POSITION DECLINED BY DM 0.5 BILLION TO DM 95.7 BILLION. THE IMF GOLD TRANCHE POSITION INCREASED BY DM 111 MILLION WHILE CLAIMS ON THE EUROPEAN MONETARY FUND DECLINED BY DM 482 MILLION AND HOLDINGS OF FOREIGN EXCHANGE BY DM 174 MILLION. FOREIGN LIABILITIES FELL

UNCLASSIFIED

NNN

UNCLASSIFIED

PAGE 01 BONN 19416 02 OF 03 161746Z

42

ACTION EUR-12

INFO OCT-01 EA-09 ISO-00 AID-05 CIAE-00 COME-00 EB-07

FRB-01 INR-07 NSAE-00 USIA-15 XMB-04 OPIC-06 SP-02

CIEP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-04

CEA-01 L-03 H-02 PA-02 PRS-01 AGRE-00 (ISO) W

----- 123666

R 161727Z NOV 76

FM AMEMBASSY BONN

TO SECSTATE WASHDC 3339

DEPARTMENT TREASURY

INFO AMEMBASSY BERN

AMEMBASSY BRUSSELS

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY TOKYO

USMISSION EC BRUSSELS

USMISSION OECD PARIS

AMCONSUL FRANKFURT

UNCLAS SECTION 02 OF 03 BONN 19416

BY ABOUT DM 50 MILLION.

5. BANK LIQUIDITY:

IN THE PERIOD NOVEMBER 1-7 BANK LIQUIDITY INCREASED BY DM 1.4 BILLION. FACTORS INCREASING LIQUIDITY WERE A DM 3.4 BILLION DECLINE IN OFFICIAL NET ASSETS HELD AT THE BUNDESBANK AND THE USUAL DECREASE IN CURRENCY IN CIRCULATION AT THE BEGINNING OF A MONTH (DM 0.8 BILLION). LIQUIDITY WAS REDUCED BY THE ABOVE-MENTIONED DECLINE IN THE BUNDESBANK'S FOREIGN POSITION, DM 0.9 BILLION OF FURTHER BUNDESBANK SALES OF PUBLIC BONDS FROM ITS PORTFOLIO AND A DM 0.7 BILLION INCREASE IN THE BANKS' UNCLASSIFIED

UNCLASSIFIED

PAGE 02 BONN 19416 02 OF 03 161746Z

HOLDINGS OF RESERVES AT THE BUNDESBANK. OTHER FACTORS REDUCED LIQUIDITY, NET, BY DM 0.7 BILLION. THE BANKS USED THE INCREASE IN LIQUIDITY TO FURTHER REDUCE RE-DISCOUNT BORROWINGS TO DM 11.4 BILLION.

6. BOND MARKET:

PRICES FOR DOMESTIC BONDS CONTINUED TO INCREASE, AND THE BUNDESBANK FURTHER SOLD PUBLIC BONDS FROM ITS PORTFOLIO. ON NOVEMBER 12 ALONE SUCH SALES REPORTEDLY AMOUNTED TO ABOUT DM 400 MILLION. THE EMERGENCY COUNCIL OF THE GERMAN HARD COAL INDUSTRY (WHICH FINANCES THE GERMAN NATIONAL COAL RESERVE) SOLD BY WAY OF TENDER DM 450 MILLION OF SCHULDSCHNEINE. THE SCHULDSCHNEINE CARRIED YIELDS RANGING FROM 6.75 PERCENT (4-YEAR MATURITY) TO 7.50 PERCENT (9-YEAR MATURITY). THE CONDITIONS OF THE DM 100 MILLION LOAN OF THE NORWEGIAN NORTH SEA GAS CONSORTIUM (SEE BONN 18981) ARE EXPECTED TO BE A COUPON OF 7 1/2 PERCENT AND A MATURITY OF 12 YEARS WITH REPAYMENT TO BEGIN AFTER 6 YEARS. THE EUROPEAN INVESTMENT BANK (EIB) REPORTEDLY INTENDS TO OFFER ANOTHER DM 100 MILLION LOAN (COUPON PROBABLY 7 1/4 PERCENT, MATURITY 8 YEARS WITH REPAYMENT TO BEGIN AFTER 4 YEARS).

7. FRG INTERNATIONAL INVESTMENT POSITION:

IN ITS JUST RELEASED NOVEMBER MONTHLY REPORT THE BUNDESBANK HAS PUBLISHED DATA ON THE FRG'S INTERNATIONAL INVESTMENT POSITION. ACCORDING TO THESE DATA, IN MID-1976 GERMANY HAD NET FOREIGN ASSETS OF DM 107.6 BILLION AS COMPARED WITH DM 89.1 BILLION IN MID-1974. HOWEVER, THE BULK OF THE NET ASSETS HELD IN 1976 WERE THE BUNDESBANK'S MONETARY RESERVES OF DM 90.7 BILLION. THE FOREIGN POSITION OF THE OTHER SECTORS WAS RATHER IN BALANCE (SEE FOLLOWING TABLXLM

MID-1976 MID-1974

ASSETS LIABILITIES BALANCE BALANCE

UNCLASSIFIED

UNCLASSIFIED

PAGE 03 BONN 19416 02 OF 03 161746Z

(DM BILLION)

| | | | | |
|---------------|-------|-------|-------|-------|
| BUNDESBANK | 92.8 | 2.0 | 90.7 | 93.4 |
| OTHER BANKS | 83.2 | 72.9 | 10.3 | -17.0 |
| PRIVATE NON- | | | | |
| BANKS | 143.2 | 153.8 | -10.6 | -7.9 |
| SHORT- | | | | |
| TERM | 44.4 | 66.6 | -22.2 | N.A. |
| LONG- | | | | |
| TERM | 98.7 | 87.2 | 11.6 | N.A. |
| OF WHICH: | | | | |
| FINANCIAL (1) | | | | |
| CREDITS | 6.9 | 20.1 | -13.2 | N.A. |
| TRADE CRE- | | | | |
| DITS | 28.0 | 4.3 | 23.7 | N.A. |
| PORTFOLIO | | | | |
| INVEST- | | | | |
| MENT | 18.7 | 11.6 | 7.0 | N.A. |
| DIRECT IN- | | | | |
| VESTMT | 38.9 | 49.8 | -10.9 | N.A. |
| REAL | | | | |
| ESTATE | 5.8 | 1.3 | 4.6 | N.A. |
| PUBLIC AUTHO- | | | | |
| RITIES | 29.5 | 10.3 | 19.2 | 22.4 |
| OTHER | - | 2.0 | -2.0 | -1.8 |
| | ----- | ----- | ----- | ----- |
| TOTAL | 348.6 | 241.0 | 107.6 | 89.1 |

(1) INCLUDING DIRECT INVESTMENT CREDITS.

UNCLASSIFIED

NNN

UNCLASSIFIED

PAGE 01 BONN 19416 03 OF 03 161745Z

41

ACTION EUR-12

INFO OCT-01 EA-09 ISO-00 AID-05 CIAE-00 COME-00 EB-07

FRB-01 INR-07 NSAE-00 USIA-15 XMB-04 OPIC-06 SP-02

CIEP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-04

CEA-01 L-03 H-02 PA-02 PRS-01 AGRE-00 (ISO) W

----- 123700

R 161727Z NOV 76

FM AMEMBASSY BONN

TO SECSTATE WASHDC 3340

DEPARTMENT TREASURY

INFO AMEMBASSY BERN

AMEMBASSY BRUSSELS

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY TOKYO

USMISSION EC BRUSSELS

USMISSION OECD PARIS

AMCONSUL FRANKFURT

UNCLAS SECTION 03 OF 03 BONN 19416

THE BUNDESBANK AGAIN EMPHASIZED THAT THE RELATIVELY
LARGE GERMAN MONETARY RESERVES ARE FACED WITH A CONSIDER-
ABLE FOREIGN SHORT-TERM INDEBTEDNESS OF THE FRG.
ACCORDING TO THE BANK IN MID-1976 THIS INDEBTEDNESS
AMOUNTED TO ABOUT DM 75 BILLION (DM 60 BILLION FOREIGN
SHORTER-TERM LIABILITIES OF GERMAN FIRMS PLUS DM 15
BILLION OF GERMAN SECURITIES HELD BY FOREIGNERS WHICH
CAN BE RETURNED ON SHORTER-TERMS).

8. BANK PROFITS:

IN ITS NOVEMBER REPORT THE BUNDESBANK ALSO ANALYZED
UNCLASSIFIED

UNCLASSIFIED

PAGE 02 BONN 19416 03 OF 03 161745Z

PROFITS OF GERMAN BANKS. ACCORDING TO THE ANALYSIS IN
THE RECESSION YEAR 1975 BANK PROFITS REACHED THE RECORD
LEVEL AT DM 11.2 BILLION. THIS IS A RISE OF DM 2.4
BILLION OVER 1974'S LEVEL AND NEARLY THREE TIMES THE
LEVEL OF 1968.

9. WAGE DEMAND:

THE LABOR UNION OF CIVIL SERVANTS (GEWERKSCHAFT OEFFENT-
 LICHE DIENSTE, TRANSPORT UND VERKEHR; OETV) HAS
 ANNOUNCED THAT IN 1977 IT WILL CALL FOR WAGE AND SALARY
 INCREASES OF ABOUT 8 PERCENT. IN ADDITION THE UNION
 WILL ASK FOR VACATION ALLOWANCES AND EXTENDED VACATION
 RESULTING IN A TOTAL WAGE DEMAND OF ABOUT 10 PERCENT.
 THE METAL WORKERS' LABOR UNION WILL DEMAND AT LEAST
 8 1/2 PERCENT WAGE INCREASES PLUS VARIOUS ADDITIONAL
 DEMANDS WHICH WOULD ADD UP TO A TOTAL WAGE DEMAND OF
 ABOUT 12 PERCENT.

10. ECONOMIC INDICATORS PUBLISHED THIS WEEK:

SEASONALLY ADJUSTED BUNDESBANK DATA

 JULY AUGUST SEPT. OCT.
 ---- ---- ---- ----

COST OF LIVING

(1970 EQUALS

| | | | | |
|------|-------|-------|-------|-------|
| 100) | 140.8 | 141.9 | 142.0 | 142.2 |
|------|-------|-------|-------|-------|

OF WHICH:

| | | | | |
|-------------|-------|-------|-------|-------|
| FOOD PRICES | 140.1 | 142.5 | 141.5 | 141.3 |
|-------------|-------|-------|-------|-------|

| | | | | |
|-----------|-------|-------|-------|-------|
| ALL OTHER | 141.0 | 141.8 | 142.1 | 142.3 |
|-----------|-------|-------|-------|-------|

INDUSTRIAL PRODUCER

| | | | | |
|--------|-------|-------|-------|------|
| PRICES | 141.6 | 142.3 | 142.9 | N.A. |
|--------|-------|-------|-------|------|

NON-SEASONALLY ADJUSTED

INDUSTRIAL PRO-

| | | | | |
|--------------|-------|-------|-------|-------|
| DUCER PRICES | 141.7 | 142.0 | 142.3 | 142.4 |
|--------------|-------|-------|-------|-------|

STOESSEL

UNCLASSIFIED

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC CONDITIONS, REPORTS, FINANCIAL TRENDS
Control Number: n/a
Copy: SINGLE
Draft Date: 16 NOV 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976BONN19416
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760427-0613
From: BONN
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19761142/aaaabjvo.tel
Line Count: 364
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 7
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: 76 BONN 18981
Review Action: RELEASED, APPROVED
Review Authority: powellba
Review Comment: n/a
Review Content Flags:
Review Date: 02 AUG 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <02 AUG 2004 by vandyklc>; APPROVED <30 NOV 2004 by powellba>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: FINANCIAL DEVELOPMENTS (WEEK ENDING NOVEMBER 15)
TAGS: EFIN, GE
To: STATE
TRSY
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006